

#### **§ 367.4**

must not be controlling as to the arrangement or sequence in report forms that may be prescribed by the Commission.

#### **§ 367.4 Numbering system.**

(a) The account numbering plan used in this part consists of a system of three-digit whole numbers as follows:

- (1) 100-199, Assets and other debits.
- (2) 200-299, Liabilities and other credits.
- (3) 300-399, Property accounts.
- (4) 400-432 and 434-435, Income accounts.
- (5) 433, 436 and 439, Retained earnings accounts.
- (6) 457-458, Revenue accounts.
- (7) 500-599, Electric operating expenses.
- (8) 800-894, Gas operating expenses.
- (9) 900-949, Customer accounts, customer service and informational, sales, and general and administrative expenses.

(b) The numbers prefixed to account titles are to be considered as parts of the titles. Each service company, however, may adopt for its own purposes a different system of account numbers (*See also* General Instructions in § 367.3(d)) provided that the numbers prescribed in this part must appear in the descriptive headings of the ledger accounts and in the various sources of original entry; however, if a service company uses a different system of account numbers and it is not practicable to show the prescribed account numbers in the various sources of original entry, the reference to the prescribed account numbers may be omitted from the various sources of original entry. Each service company using different account numbers for its own purposes must keep readily available a list of the account numbers that it uses and a reconciliation of those account numbers with the account numbers provided in this part. It is intended that the service company's records must be kept so as to permit ready analysis by prescribed accounts (by direct reference to sources of original entry to the extent practicable) and to permit preparation of financial and operating statements directly from the records at the end of each accounting period according to the prescribed accounts.

#### **18 CFR Ch. I (4-1-11 Edition)**

#### **§ 367.5 Accounting period.**

Each service company must keep its books on a monthly basis so that for each month all transactions applicable to the account, as nearly as may be ascertained, must be entered in the books of the service company. Amounts applicable or assignable to a single or group of associate and non-associate companies must be segregated monthly. Each service company must close its books at the end of each calendar year unless otherwise authorized by the Commission.

#### **§ 367.6 Submittal of questions.**

To maintain uniformity of accounting, service companies must submit questions of doubtful interpretation to the Commission for consideration and decision.

#### **§ 367.7 Item list.**

Lists of items appearing in the texts of the accounts or elsewhere in this part are for the purpose of indicating clearly the application of the prescribed accounting. The lists are intended to be representative, but not exhaustive. The appearance of an item in a list warrants the inclusion of the item in the account mentioned only when the text of the account also indicates inclusion inasmuch as the same item frequently appears in more than one list. The proper entry in each instance must be determined by the texts of the accounts.

#### **§ 367.8 Extraordinary items.**

Extraordinary items are to be recognized according to the rules which are considered generally accepted accounting principles. These items are related to the effects of events and transactions that have occurred during the current period and that are of an unusual nature and infrequent occurrence. Each item recognized as extraordinary must be disclosed in the notes to financial statements (*See* Accounts 434 and 435 in §§ 367.4340 and 367.4350).

#### **§ 367.9 Prior period items.**

(a) Items of profit and loss related to the following must be accounted for as prior period adjustments and excluded

from the determination of net income for the current year:

(1) Correction of an error in the financial statements of a prior year.

(2) Adjustments that result from realization of income tax benefits of pre-acquisition operating loss carry forwards of purchased subsidiaries.

(b) All other items of profit and loss recognized during the year must be included in the determination of net income for that year.

#### **§ 367.10 Unaudited items.**

Whenever a financial statement is required by the Commission, if it is known that a transaction has occurred that affects the accounts but the amount involved in the transaction and its effect upon the accounts cannot be determined with absolute accuracy, the amount must be estimated and the estimated amount included in the proper accounts. The service company is not required to anticipate minor items that would not appreciably affect the accounts.

#### **§ 367.11 Distribution of pay and expenses of employees.**

The charges to property, operating expense and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, such as construction, maintenance, and operations, must be based upon the actual time engaged in the respective classes of work, or an appropriate allocation method.

#### **§ 367.12 Payroll distribution.**

Underlying accounting data must be maintained so that the distribution of the cost of labor charged direct to the various accounts will be readily available. The underlying data must permit a reasonably accurate distribution to be made of the cost of labor charged initially to clearing accounts so that the total labor cost may be classified among construction, cost of removal, or operating functions.

#### **§ 367.13 Accounting to be on accrual basis.**

(a) The service company is required to keep its accounts on the accrual basis. This requires the inclusion in its accounts of all known transactions of

appreciable amount that affect the accounts. If bills covering the transactions have not been received or rendered, the amounts must be estimated and appropriate adjustments made when the bills are received. When the amount is ascertained, the necessary adjustments must be made through the accounts in which the estimate was recorded. If it is determined during the interval that a material adjustment will be required, the estimate must be adjusted through the current accounts. The service company is not required to anticipate minor items which would not appreciably affect these accounts.

(b) When payments are made in advance for items such as insurance, rents, taxes or interest, the amount applicable to future periods must be charged to account 165, Prepayments (§367.1650), and spread over the periods to which they are applicable by credits to account 165 (§367.1650), and charges to the accounts appropriate for the expenditure.

#### **§ 367.14 Transactions with associate companies.**

Each service company must keep its accounts and records so as to be able to furnish accurately and expeditiously statements of all transactions with associate companies. The statements may be required to show the general nature of the transactions, the amounts involved in the transactions and the amounts included in each account prescribed in this part with respect to such transactions. Transactions with associate companies must be recorded in the appropriate accounts for transactions of the same nature. Nothing contained in this part, however, must be construed as restraining the service company from subdividing accounts for the purpose of recording separately transactions with associate companies.

#### **§ 367.15 Contingent assets and liabilities.**

Contingent assets represent a possible source of value to the service company contingent upon the fulfillment of conditions regarded as uncertain. Contingent liabilities include items that, under certain conditions, may become obligations of the service